

## Message Text

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ACTION EUR-12

INFO OCT-01 EA-07 ISO-00 CIAE-00 DODE-00 PM-04 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06  
AID-05 CEA-01 COME-00 EB-07 FRB-03 CIEP-01 STR-04  
TRSE-00 LAB-04 SIL-01 OMB-01 ACDA-07 SAJ-01 /100 W  
----- 123503 /44

R 141113Z DEC 76  
FM AMEMBASSY BONN  
TO SECSTATE WASHDC 4059  
INFO USLO PEKING  
AMCONSUL HONG KONG  
USMISSION EC BRUSSELS  
USMISSION NATO BRUSSELS

C O N F I D E N T I A L SECTION 01 OF 02 BONN 20948

E.O. 11652: GDS  
TAGS: EEWT, GW, CH  
SUBJECT: FRG-PRC MIXED COMMISSION MEETING IN PEKING;  
GERMAN/CHINESE ECONOMIC RELATIONS

REF: BONN 5675

1. SUMMARY. EMBOFF DISCUSSED RECENT COMMISSION MEETING WITH MEMBER OF GERMAN DELEGATION, WHO OFFERED A DETAILED RUNDOWN ON THE THREE PLENARY SESSIONS AND THE MEETINGS OF SOME EXPERT GROUPS. HE ALSO REPORTED THAT THE FRG HAS PURCHASED SMALL QUANTITIES OF CHINESE OIL. END SUMMARY.

2. FORNOFF OFFICIAL RESPONSIBIE FOR FRG/CHINESE ECONOMIC RELATIONS MADE THE FOLLOWING OBSERVATIONS ON THE MIXED COMMISSION SESSIONS IN PEKING. WITH RESPECT TO THE GENERAL STATE OF ECONOMIC RELATIONS, THE CHINESE WERE SOMEWHAT APOLOGETIC FOR THE LACK OF PROGRESS IN ECONOMIC RELATIONS DURING THE PAST FEW MONTHS. CHINESE OFFICIALS TOOK EVERY OPPORTUNITY TO BLAME THE "GANG OF FOUR" FOR BOTH INTERNAL ECONOMIC DIFFICULTIES AND FOR SLOWER ACTIVITY IN THE INTERNATIONAL ECONOMIC FIELD. AT ONE POINT THE CHINESE ALSO CONFESSED THAT EARTHQUAKE DAMAGE TO SEVERAL COAL  
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FIELDS HAD DISRUPTED PRODUCTION IN THIS KEY AREA AND HAD LED TO THE DIVERSION OF OIL SUPPLIES INTENDED FOR

THE EXPORT MARKET. CHINESE COMMISSION OFFICIALS TOLD THE GERMANS TO EXPECT AN EXPANSION OF INTERNATIONAL TRADE AND INTERNATIONAL ECONOMIC CONTACTS DURING 1977.

3. OUR SOURCE, WHO HAS HAD DEALINGS WITH SEVERAL EAST EUROPEAN MIXED COMMISSIONS, WAS PARTICULARLY IMPRESSED BY THE STRAIGHT-FORWARDNESS AND FORTHCOMING ATTITUDE OF THE CHINESE COMMISSION MEMBERS. THEY PLEDGED TO FACILITATE THE WORK OF GERMAN BUSINESSMEN WHO HAVE CONTRACTS WITH CHINESE AGENCIES BY IMPROVING LOGISTICAL AND ADMINISTRATIVE SUPPORT, INCLUDING FACILITATION OF VISA ISSUANCE. THE CHINESE ALSO PROMISED TO REGULARIZE INVITATIONS TO OFFICIALS OF THE FEDERAL FOREIGN TRADE INFORMATION SERVICE FOR CANTON FAIR VISITS.

4. FOR ITS PART, THE FRG FURTHER LIBERALIZED SOME AGRICULTURAL QUOTAS. BEANS AND MUSHROOMS WERE LIBERALIZED COMPLETELY, BUT THE CHINESE WERE CAUTIONED TO AVOID TOO RAPID AN INCREASE IN MUSHROOM EXPORTS. THE CHINESE ALSO ASKED FOR FURTHER LIBERALIZATION OF TEXTILE QUOTAS, BUT THE FRG WAS AND REMAINS UNWILLING TO TAKE UP THE CHINESE REQUESTS IN BRUSSELS.

5. IN THE RAW MATERIALS SECTOR THE DISCUSSIONS WERE, ACCORDING TO OUR SOURCE, VERY VAGUE. THE CHINESE STILL HAVE NOT BEGAN ERNEST NEGOTIATIONS ON THE LIST OF MATERIALS WHICH THE FRG WISHES TO IMPORT FROM CHINA (REFTEL). IN SELECTED PRODUCTS, SUCH AS ASBESTOS, THEY DID AGREE TO MAKE SALES, BUT IN MOST CASES THEY TOLD THE FRG TO "WAIT A YEAR" UNTIL THEIR DOMESTIC NEEDS AND EXPORT INTERESTS WERE MORE CLEARLY DEFINED. SOURCE DID REPORT THAT CHINESE HAVE SOLD SMALL QUANTITIES OF PETROLEUM TO THE FRG, ALTHOUGH DELIVERIES TO DATE ARE INTENDED FOR TESTING PURPOSES. IT IS NOT YET CERTAIN THAT CHINESE CRUDE OIL, WITH ITS HIGH PARAFIN CONTENT, CAN BE ECONOMICALLY REFINED IN GERMAN REFINERIES. OUR SOURCE HAD NO FURTHER DETAILS CONCERNING QUANTITIES, PRICE, PURCHASER, AND OUTCOME OF REFINERY TESTS.

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#### 6. EXPERT GROUPS

A SPECIAL EXPERT GROUP ON SHIPPING PROBLEMS WAS CHAIRED BY OUR SOURCE. THE FRG CONTINUES TO EXPRESS DISPLEASURE WITH CHINESE FAILURE TO RATIFY THE 1975 BILATERAL SHIPPING AGREEMENT, WHICH CALLS FOR ROUGH PARITY IN USE OF GERMAN AND CHINESE BOTTOMS IN BILATERAL TRADE. AT PRESENT THE CHINESE ARE CARRYING APPROXIMATELY 80 PERCENT AND HAVE NOT BEEN VERY FORTHCOMING

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C O N F I D E N T I A L SECTION 02 OF 02 BONN 20948

WITH RETURN SHIPMENT OFFERS FOR GERMAN FREIGHTERS  
CARRYING GERMAN EXPORTS TO CHINA. THE CHINESE  
ACKNOWLEDGE THE IMPORTANCE OF GIVING THE FRG A LARGER  
SHARE OF THE FREIGHT TRADE, BUT WERE UNWILLING TO  
PROMISE TO REACH PARITY OR ANYTHING CLOSE TO IT IN THE  
NEAR FUTURE. OUR SOURCE WAS SATISFIED WITH THE  
CHINESE POSITION ON THIS ISSUE AND DOES NOT BELIEVE  
THAT IT WILL BECOME A BONE OF CONTENTION IN BILATERAL  
RELATIONS.

7. ANOTHER EXPERT GROUP DISCUSSED THE QUESTION OF  
CREDITS AND MODALITIES OF PAYMENT. THE CHINESE  
REITERATED THEIR OPPOSITION TO WESTERN CREDITS, BUT  
WERE APPARENTLY SEEKING ROLLOVERS FOR A LARGE NUMBER OF  
DEFERRED PAYMENTS COMING DUE NEXT YEAR. THE GERMAN  
SIDE IN THE DISCUSSIONS INCLUDED A BUNDESBANK REPRESENTATIVE, WHO APPARENTLY WAS HOPING TO INTEREST THE  
CHINESE IN OFFICIAL CREDITS, BUT THEY WOULD NOT BITE.

8. THERE WAS NO PROTOCOL AS THE CHINESE EXPRESSED A  
PREFERENCE FOR KEEPING THEIR OWN NOTES.

9. IN SEPARATE CONVERSATION WITH ANOTHER MEMBER OF  
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FRG DEI WE WERE TOLD THAT IT WAS EVIDENT THAT NEW  
REGIME HAS MADE ITS BASIC DECISION TO CONTINUE TO  
EXPAND TRADE WITH EUROPE. AT SAME TIME, IT WAS  
EVIDENT THAT THIS WAS NOT THE TIME TO TRY TO CONCLUDE  
SPECIFIC DEALS.

10. MEMBERS OF FRG DEL FROM THE PRIVATE SECTOR HAD  
INDIVIDUAL TALKS WITH CHINESE OFFICIALS, BUT NO DEALS  
WERE CONCLUDED. OUR SOURCE BELIEVES THAT THE SPRING  
CANTON TRADE FAIR WILL BE THE TIME TO LOOK FOR CON-  
CLUSION OF ACTUAL COMMERCIAL NEGOTIATIONS.

11. THIS SOURCE CONFIRMED INFORMATION ABOUT CHINESE  
CREDIT POLICY IN PARA 7 ABOVE. HE ADDED THAT CHINESE  
UNDERSTANDING OF MARKETING TECHNIQUES IN THE WEST  
APPEARS TO BE UNIMPROVED AND WILL REMAIN AN IMPORTANT  
FACTOR INHIBITING GROWTH OF CHINESE EXPORTS. FRG  
DEL DID NOT RAISE LONG STANDING DESIRE FOR RESIDENCE  
PERMITS IN PEKING FOR BUSINESSMEN.

12. FOR WANG SHU WATCHERS: THE FORMER AMBASSADOR  
TO THE FRG WAS NOWHERE TO BE SEEN. THE HEAD OF THE  
FRG DEL, LOTHAR LAHN, ASKED FOR WANG SHU, BUT HIS  
QUERIES WERE ANSWERED BY SILENCE. OUR SOURCE  
COULD NOT PREDICT WANG SHU'S FATE, BUT POINTED OUT  
THAT SINCE HE HAD JUST ARRIVED IN PEKING FROM THE FRG,  
HE MAY STILL BE ON HOMELEAVE.

13. COMMENT. WHILE FRG/PRC TRADE HAS NOT DECLINED,  
OUR SOURCE IS CONCERNED OVER THE FACT THAT NO LARGE  
DEALS HAVE BEEN CONCLUDED RECENTLY. PRESENT LEVEL OF  
TRADE IS BASED LARGELY UPON CONTRACTS SIGNED SOME  
YEARS AGO AND THE PIPELINE FOR MOST OF THESE IS BECOMING  
VERY SHORT.  
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